

April 21, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	9.75	SMERA BB-/Stable (Assigned)
Proposed Fund Based facility	0.25	SMERA BB-/Stable (Assigned)

SMERA has assigned long term rating of **SMERA BB- (read as SMERA double B minus)** to the Rs.10.00 crore bank facilities of Vasani Wood Works (VWW). The outlook is '**Stable**'. The rating derives comfort from the group's experienced management, established market presence and moderate financial risk profile. The rating also derives comfort from the group's healthy revenue growth and comfortable operating margins. However, the ratings are constrained by company's exposure to intense competition persistent in the timber industry and working capital intensive nature of operations.

To arrive at the ratings, SMERA has consolidated the business and financial profile of four entities namely Vasani Wood Works, Karpagavinayaga and Company, Balaji Associates and Surya Agencies together referred to as the Prabhat Group. The consolidation is due to the common management apart from the operational and financial synergies within the group.

Outlook: Stable

SMERA believes that the firm will continue to benefit over the medium term from the promoters' extensive experience in the timber trading business. The outlook may be revised to 'Positive', if the firm sustains healthy profitability with effective working capital management. Conversely, the outlook may be revised to 'Negative' if there is a significant decline in the firm's revenue or profit margins. The outlook may also be affected by a major deterioration in the firm's financial risk profile.

Rating Sensitivity Factors

- Healthy revenue momentum with healthy profitability
- Effective working capital management
- Future capex plan and its funding

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

About the Firm

VWW is a Tamil Nadu based partnership firm, a part of prabhat group of companies, engaged in processing and trading of timber. The day to day operations of the firm are managed by Mr. Hasmukh S Patel and Ms. Jayamala H Patel, the current partners of the firm.

For FY 2014-15, VWW reported profit after tax (PAT) of Rs.0.85 crore on the operating income of Rs.105.42 crore, as compared with PAT of Rs.0.52 crore on operating income of Rs.71.86 crore for FY 2013-2014.

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